

Legislative Fiscal Bureau

Fiscal Note

HF 2271 - Iowa Seed Capital Tax Credit (LSB 5257 HV)

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Fiscal Note Version - New

Description

House File 2271 creates a tax credit for investment in qualified businesses and community-based seed capital funds. The tax credit is equal to 20.0% of the qualified investment. The credit may be received only for approved investments made after January 1, 2002. Credits cannot be redeemed until at least three years after they are issued, and the first credits cannot be redeemed before tax year 2005. The tax credits would be administered by the Iowa Capital Investment Board created in HF 2078 (Venture Capital Investment Act of 2002). The total tax credits approved by the Board are limited to \$3.0 million in FY 2002, \$3.0 million in FY 2003, and \$4.0 million in FY 2004.

Assumption

Demand and investments will be sufficient to utilize all \$10.0 million in available tax credits.

Fiscal Impact

The total fiscal impact of the tax credits is a reduction in General Fund revenues of \$10.0 million. The maximum fiscal year impact would be \$3.0 million in FY 2005, \$3.0 million in FY 2006, and \$4.0 million in FY 2007.

Individuals and corporations have differing tax year timeframes and the redemption of the credits can be spread over six tax years, the total fiscal impact of \$10.0 million would likely be spread to fiscal years beyond FY 2007. This would lower the fiscal impact in the first three years.

Source

Legislative Fiscal Bureau analysis

/s/ Dennis C Prouty

February 14, 2002

The fiscal note and correctional impact statement for this bill was prepared pursuant to Joint Rule 17 and pursuant to Section 2.56, Code of Iowa. Data used in developing this fiscal note and correctional impact statement are available from the Legislative Fiscal Bureau to members of the Legislature upon request.
